May 12, 2005

Little Hoover Commission
925 L Street
Suite 805
Sacramento, California 95814

Dear Commissioners,

Energy is fundamentally important to the welfare of all of California, through its impacts on jobs, industry, consumer welfare and the environment. The State plays a central role in encouraging energy supply, transmission, and efficiency investments by guarding against energy market manipulation; protecting the environment; developing and supporting new energy technologies; aggressively representing state interests at the Federal level; providing energy information to Californians; and managing energy price and availability risks.

During this past year, my Administration has taken several steps to unify California's energy policy and foster competitive wholesale and retail electricity markets. In April 2004, I urged the California Public Utilities Commission to expeditiously implement the State's electricity procurement rules and resource adequacy requirements for the construction of new power plants. I have called upon the California Independent System Operator to implement reliability standards and I have worked with the California Public Utilities Commission to require utilities to institute a loading order when planning for power needs.

During the last three decades, the need to consolidate responsibility for energy policy and streamline the energy bureaucracy has been recognized by the Legislative Analyst, the Attorney General, previous governors and the Little Hoover Commission. This reorganization proposal establishes a Department of Energy through the consolidation of the functions of several departments, commissions and offices that currently implement state energy programs.

By establishing a Department of Energy, a clear energy policy direction for California will be developed and implemented, bureaucratic fragmentation and duplication will be reduced, and public access and transparency will be improved.
I invite you to support me in this historic undertaking.

Sincerely,

Arnold Schwarzenegger